

**PRAIRIE LAKES  
AREA EDUCATION AGENCY 8**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2016**



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**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**OFFICIALS**

<i><b>NAME</b></i>	<i><b>TITLE</b></i>	<i><b>TERM EXPIRES</b></i>
<b>Board of Directors</b>		
Rick Morain	President	2017
Gary Astor	Vice President	2017
Dawn Crane	Member	2019
Jeremy Riesenber	Member	2019
Pat Brown	Member	2017
Sue Brown	Member	2017
Todd Lundgren	Member	2019
<b>Agency</b>		
Jeff D. Herzberg	Chief Administrator	2016
Michelle R. Dowd	Chief Financial Officer/ Board Secretary and Board Treasurer	2016







**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report**

To the Board of Directors of  
Prairie Lakes Area Education Agency 8  
Fort Dodge, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Prairie Lakes Area Education Agency 8 as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Prairie Lakes Area Education Agency 8 as of June 30, 2016, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Agency's Proportionate Share of the Net Pension Liability, the Schedule of Agency Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 37 through 42 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie Lakes Area Education Agency 8's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2016 on our consideration of Prairie Lakes Area Education Agency 8's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Prairie Lakes Area Education Agency 8's internal control over financial reporting and compliance.

*Schnur & Company, LLP*

Fort Dodge, Iowa  
December 12, 2016



**PRAIRIE LAKES AREA EDUCATION AGENCY 8**





**PRAIRIE LAKES AREA EDUCATION AGENCY 8**



## **PRAIRIE LAKES AREA EDUCATION AGENCY 8**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Prairie Lakes Area Education Agency 8 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

#### **2016 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$25,467,461 in fiscal 2015 to \$25,648,467 in fiscal 2016. General Fund expenditures decreased from \$26,103,726 in fiscal 2015 to \$25,394,417 in fiscal 2016. Revenues and other sources less expenditures resulted in a net operating gain of \$101,662. The Agency's General Fund balance increased from \$2,376,066 at the end of fiscal 2015 to \$2,477,728 at the end of fiscal 2016.
- The Agency's special education support services state foundation aid revenue was reduced a total of \$1,701,309 as the result of a state-wide \$22.5 million cut to all area education agencies in fiscal 2016. This is the third year for the state-wide cut of \$22.5 million. Prior to that, the state-wide cut was \$27.5 million for two years.
- The Agency's decrease in expenditures of \$709,309 in fiscal 2016, was due in large part to the Agency not replacing retiring staff and making reductions in central office staff to meet budgetary constraints placed on them by the State cuts.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Prairie Lakes Area Education Agency 8 as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide financial statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, the Agency's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### USING THIS ANNUAL REPORT (Continued)

#### Reporting the Agency's Financial Activities

##### *Government-wide Financial Statements*

The government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Agency's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Agency's net position and how it has changed. Net position is one way to measure the Agency's financial health or financial position. Over time, increases or decreases in the Agency's net position is an indicator of whether financial position is improving or deteriorating. To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's property tax base and the condition of its facilities, need to be considered.

In the government-wide financial statements, the Agency's activities consist of the following:

- *Governmental activities:* The Agency's basic services are included here, such as regular and special education instruction, student and instructional staff support services and administration. Local school districts, federal and state aid finance most of these activities.

##### *Fund Financial Statements*

The fund financial statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show it is properly using certain revenues, such as federal grants.

The Agency has two kinds of funds:

- Governmental funds account for most of the Agency's basic services. These focus on how cash and other financial assets readily converted to cash flow in and out and the balances left at year-end available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The Agency's governmental funds include: 1) the General Fund, 2) the Special Revenue Funds and 3) the Debt Service Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### USING THIS ANNUAL REPORT (Continued)

#### Reporting the Agency's Financial Activities (continued)

##### *Fund Financial Statements (continued)*

- Fiduciary funds are funds through which the Agency administers and accounts for certain federal and/or state grants as a fiscal agent. The Agency is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The Agency excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Prairie Lakes Area Education Agency 8's net position at the end of fiscal 2016 totaled approximately (\$2.6) million. This compared to approximately (\$2.3) million at the end of fiscal 2015. The following analysis focuses on the net position and changes in net position:

		<b>Condensed Statement of Net Position (Expressed in Thousands) Governmental Activities</b>	
		<b>2016</b>	<b>2015</b>
<b>Assets</b>			
Current and other assets	\$	6,630	\$ 6,169
Capital assets		4,652	5,012
<b>Total assets</b>		<b>11,282</b>	<b>11,181</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows		3,189	2,359
<b>Liabilities</b>			
Long-term liabilities		12,563	9,445
Other liabilities		3,503	3,177
<b>Total liabilities</b>		<b>16,066</b>	<b>12,622</b>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows		961	3,260
<b>Net Position</b>			
Net investment in capital assets		4,097	4,333
Restricted		510	497
Unrestricted		(7,163)	(7,172)
<b>Total net position</b>	\$	<b>(2,556)</b>	\$ (2,342)

The Agency's total net position decreased by 9.14%, or approximately \$214,000 from fiscal 2015. The decrease occurred primarily in governmental activities as a result of providing less services to local school districts during the year ended June 30, 2016.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following analysis details the changes in net position resulting from the Agency's activities:

	<b>Changes in Net Position (Expressed in Thousands)</b>	
	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Revenues:		
Program revenues:		
Charges for service	\$ 2,482	\$ 2,191
Operating grants and contributions	12,143	12,188
General revenues:		
Property tax	6,236	6,151
State foundation aid	5,968	5,827
Unrestricted investment earnings	-	1
<b>Total revenues</b>	<b>26,829</b>	<b>26,358</b>
Program expenses:		
Instruction	1,207	1,061
Student support services	18,506	18,111
Instructional staff support services	2,425	2,208
General administration	751	910
Business administration	2,355	1,747
Plant operations and maintenance	749	777
Central and other support services	1,023	1,627
Long-term debt interest	27	32
<b>Total program expenses</b>	<b>27,043</b>	<b>26,473</b>
<b>(Decrease) in net position</b>	<b>(214)</b>	<b>(115)</b>
Net position beginning of year	(2,342)	(2,227)
Net position end of year	\$ (2,556)	\$ (2,342)

Property tax and state foundation aid account for 45% of the total revenue while operating grants and contributions from local, state and federal sources account for 45% of the total revenue. The Agency's expenses primarily relate to instruction and student and instructional staff support services, which account for 82% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$26,829,381 and expenses were \$27,043,494. In a difficult budget year, the Agency was able to provide services needed by local school districts.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Prairie Lakes Area Education Agency 8 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of \$2,626,849, over last year's ending fund balances of \$2,525,188. The primary reasons for the increase in combined fund balances in fiscal year 2016 was due to the Agency's reduction in expenditures to help offset the continued decrease in State Aid revenue for the Agency's share of the Area Education Agency system-wide \$15 million cut in state funding passed by legislators in 2015.

#### **Governmental Fund Highlights**

- The General Fund balance increased from \$2,376,066 to \$2,477,728 due, in part, to the additional services provided and the current year reduction in state aid.

### **BUDGETARY HIGHLIGHTS**

The Agency's Board of Directors annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

Over the course of the year, the Agency amended its budget once to reflect adjustments to revenue and expenditures associated with the services needed and provided to the local school districts.

The Agency's total revenues were \$550,140 greater than total budgeted revenues, a variance of 2.1%. Total expenditures were \$410,651 greater than budgeted, a variance of 1.6%.

A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the Required Supplementary Information section of this report.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2016, the Agency had invested \$4,651,755, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment. This is a net decrease of \$360,806 from last year. This decrease was primarily due to assets becoming fully depreciated during the fiscal year.

Prairie Lakes Area Education Agency 8 had depreciation expense of \$243,783 in fiscal 2016 and total accumulated depreciation of \$3,508,688 at June 30, 2016. More detailed information about capital assets is available in Note 3 to the financial statements.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

#### **Long-Term Debt**

At June 30, 2016, the Agency had \$555,000 in long-term debt outstanding compared to \$680,000 at June 30, 2015. At June 30, 2016, the Agency had \$457,040 in compensated absences and early retirement obligation compared to \$216,068 at June 30, 2015. The Agency's net pension liability at June 30, 2016 was \$11,551,157. More detailed information about the Agency's long-term liabilities is available in Note 4 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the Agency was aware of existing circumstances that could significantly affect its financial health in the future:

- Due to the economy nationally, state and federal funding levels continue to be an area of concern for the AEA's throughout the state. For FY 2017, the supplemental state aid was set by legislature at 2.25% and they did not take action for setting the rate for FY 2018 as required by law. The statewide AEA system also received a targeted \$18.75 million reduction in FY 2017, which equates to a funding cut of \$1,983,447, for the Agency. At this time the Agency does not know if this reduction will continue for the 2018 fiscal year.
- Stable enrollment growth is critical in maintaining a sound financial position. The Agency's preliminary enrollment figures that will be used to determine the amount of state funding for fiscal year 2018, reflect a decrease of 285 students, or .88%.
- The Agency has been notified to expect little or no increase in Federal IDEA funding for the immediate future.
- In the past years, growth in employee wages related to salary schedule movement and increased benefit costs have outpaced the increase in state controlled funding. This relationship has a profound effect on the General Fund budget as approximately 77% of all expenditures are related to staff salaries and benefits.

### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer's Office of Prairie Lakes Area Education Agency 8, at 1235 5th Ave South, Fort Dodge, Iowa 50501.



## **BASIC FINANCIAL STATEMENTS**



**STATEMENT OF NET POSITION**  
**June 30, 2016**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and pooled investments	\$ 2,731,540
Receivables:	
Accounts	960,352
Due from other governments	2,408,664
Prepaid expenses	10
Inventories	29,052
Capital assets, net of accumulated depreciation	4,651,755
Net OPEB asset	501,000
<b>Total assets</b>	<b>11,282,373</b>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	3,188,970
<b>Liabilities</b>	
Accounts payable	900,350
Salaries and benefits payable	2,491,277
Advances from grantors	111,142
Long-term liabilities:	
Portion due or payable within one year:	
Certificates of participation	125,000
Compensated absences	50,650
Early retirement obligation	91,564
Portion due or payable after one year:	
Certificates of participation	430,000
Net pension liability	11,551,157
Early retirement obligation	314,826
<b>Total liabilities</b>	<b>16,065,966</b>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	961,359
<b>Net Position</b>	
Net investment in capital assets	4,096,755
Restricted for:	
Debt service	149,121
Partial Self-Funding Health Insurance	360,734
Unrestricted	(7,162,592)
<b>Total net position</b>	<b>\$ (2,555,982)</b>

See Notes to Financial Statements.

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2016**

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants and Contributions
<b>Functions/Programs:</b>			
<b>Governmental Activities:</b>			
Instruction	\$ 1,207,288	\$ 878,017	\$ 302,897
Student support services	18,506,031	-	10,953,898
Instructional staff support services	2,424,580	1,299,217	637,471
General administration	751,369	-	-
Business administration	2,354,788	131,794	-
Plant operations and maintenance	749,456	-	-
Central and other support services	1,022,592	172,876	96,124
Interest on long-term debt	27,390	-	152,388
<b>Total governmental activities</b>	<b>\$ 27,043,494</b>	<b>\$ 2,481,904</b>	<b>\$ 12,142,778</b>
<b>General Revenues:</b>			
Property taxes levied for general purposes			
State Foundation aid			
Unrestricted investment earnings			
<b>Total general revenues</b>			
Change in net position			
Net position beginning of year			
Net position end of year			
See Notes to Financial Statements.			

**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Position</b>	
<b>Governmental Activities</b>	<b>Total</b>
\$ (26,374)	\$ (26,374)
(7,552,133)	(7,552,133)
(487,892)	(487,892)
(751,369)	(751,369)
(2,222,994)	(2,222,994)
(749,456)	(749,456)
(753,592)	(753,592)
124,998	124,998
(12,418,812)	(12,418,812)
6,236,205	6,236,205
5,968,469	5,968,469
25	25
12,204,699	12,204,699
(214,113)	(214,113)
(2,341,869)	(2,341,869)
\$ (2,555,982)	\$ (2,555,982)

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2016**

	<b>General</b>	<b>Special Revenue Special Education Instruction</b>
<b>Assets</b>		
Cash and pooled investments	\$ 2,554,493	\$ 27,926
Receivables:		
Accounts	926,642	33,710
Due from other governments	2,408,664	-
Prepaid expenses	10	-
Inventories	29,052	-
<b>Total assets</b>	<b>\$ 5,918,861</b>	<b>\$ 61,636</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 878,108	\$ 22,242
Salaries and benefits payable	2,453,624	37,653
Advances from grantors	109,401	1,741
<b>Total liabilities</b>	<b>3,441,133</b>	<b>61,636</b>
Fund Balances:		
Nonspendable:		
Inventories	29,052	-
Prepaid expenses	10	-
Restricted for:		
Debt service	-	-
Categorical funding	66,489	-
Partial Self Funding Health Insurance	360,734	-
Committed for:		
Compensated absences	50,650	-
Early retirement obligation	406,391	-
Unassigned	1,564,402	-
<b>Total fund balances</b>	<b>2,477,728</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,918,861</b>	<b>\$ 61,636</b>

See Notes to Financial Statements.



**Exhibit C**

Nonmajor		Total	
\$	149,121	\$	2,731,540
	-		960,352
	-		2,408,664
	-		10
	-		29,052
\$	149,121	\$	6,129,618
\$	-	\$	900,350
	-		2,491,277
	-		111,142
	-		3,502,769
	-		29,052
	-		10
	149,121		149,121
	-		66,489
	-		360,734
	-		50,650
	-		406,391
	-		1,564,402
	149,121		2,626,849
\$	149,121	\$	6,129,618



**RECONCILIATION OF THE BALANCE SHEET--  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2016**

**Total governmental fund balances (page 14)** \$ 2,626,849

*Amounts reported for governmental activities in the Statement  
of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$8,160,443 and the accumulated depreciation is \$3,508,688. 4,651,755

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 3,188,970	
Deferred inflows of resources	<u>(961,359)</u>	2,227,611

Long-term liabilities, including certificates of participation, compensated absences, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (12,563,197)

The Net OPEB Asset is not due and receivable in the current period and, therefore, not reported in the governmental funds. 501,000

**Net position of governmental activities (page 12)** \$ (2,555,982)

See Notes to Financial Statements.

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES -- GOVERNMENTAL FUNDS  
Year Ended June 30, 2016**

	<b>General</b>	<b>Special Revenue Special Education Instruction</b>
Revenues:		
Local sources	\$ 7,992,505	\$ 878,017
State sources	8,227,492	302,897
Federal sources	9,428,470	-
<b>Total revenues</b>	<b>25,648,467</b>	<b>1,180,914</b>
Expenditures:		
Current:		
Instruction	40,027	1,134,546
Student support services	18,382,274	-
Instructional staff support services	2,233,592	-
General administration	738,372	-
Business administration	2,303,436	46,368
Plant operations and maintenance	642,464	-
Central and other support services	1,054,252	-
Debt service	-	-
<b>Total expenditures</b>	<b>25,394,417</b>	<b>1,180,914</b>
Excess (deficiency) of revenues over (under) expenditures	254,050	-
Other financing sources (uses):		
Transfers in	-	-
Transfers out	(152,388)	-
<b>Total other financing sources (uses)</b>	<b>(152,388)</b>	<b>-</b>
Change in fund balances	101,662	-
Fund balances, beginning of year	2,376,066	-
Fund balances, end of year	\$ 2,477,728	\$ -

See Notes to Financial Statements.

**Exhibit E**

<b>Nonmajor</b>		<b>Total</b>	
\$	1	\$	8,870,523
	-		8,530,389
	-		9,428,470
	1		26,829,382
	-		1,174,573
	-		18,382,274
	-		2,233,592
	-		738,372
	-		2,349,804
	-		642,464
	-		1,054,252
	152,390		152,390
	152,390		26,727,721
	(152,389)		101,661
	152,388		152,388
	-		(152,388)
	152,388		-
	(1)		101,661
	149,122		2,525,188
\$	149,121	\$	2,626,849

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES --  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016**

**Change in fund balances - Total governmental funds (page 16)** \$ 101,661

*Amounts reported for governmental activities in the Statement of  
Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets.

Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 128,745	
Depreciation expense	<u>(243,783)</u>	(115,038)

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. (245,768)

Repayment of certificates of participation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 125,000

The current year Agency IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 1,435,703

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	101,369
Pension expense	(1,308,699)
Early retirement obligation	(342,341)
Other post-employment benefits	<u>34,000</u>

**Change in net position of governmental activities (page 13)** \$ (214,113)

See Notes to Financial Statements.

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**Exhibit G**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUND  
June 30, 2016**

**Assets**

Cash

\$	34,982
<hr/>	
	34,982

**Total assets**

**Liabilities**

Due to other governments

	34,982
<hr/>	
	34,982

**Total liabilities**

**Net position**

\$	-
<hr/>	

See Notes to Financial Statements.





## PRAIRIE LAKES AREA EDUCATION AGENCY 8

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Summary of Significant Accounting Policies**

Prairie Lakes Area Education Agency 8 is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 40 school districts and 11 accreditable non-public schools in a 14-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity:**

For financial reporting purposes, Prairie Lakes Area Education Agency 8 has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units that meet the Governmental Accounting Standards Board criteria.

#### **B. Basis of Presentation:**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the Agency's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **B. Basis of Presentation (continued):**

Government-wide Financial Statements (continued) – The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Agency reports the following major governmental funds:

The General Fund is the general operating fund of the Agency. All general revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue, Special Education Instruction Fund is used to account for a program where the Agency employs teachers to provide instruction to special education pupils. The actual costs of providing instructional services to the pupils are billed to the individual school districts.

The Agency also reports the following fiduciary fund:

The Agency Fund is used to account for assets held by the Agency as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### **C. Measurement Focus and Basis of Accounting:**

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year-end.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting (continued):

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the Agency's policy is to pay the expenditure from the restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity:

Cash and Pooled Investments – Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value and non-negotiable certificates of deposit are stated at cost.

Inventories – Inventories are stated at cost using the first-in, first-out method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	No lower limit
Buildings	\$ 5,000
Building improvement	5,000
Vehicles	5,000
Furniture and equipment	5,000
Library books	Aggregated annual purchases

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Capital assets of the Agency are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Building improvement	20
Vehicles	5
Furniture and equipment	10
Library books	5

Deferred Outflows of resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Agency after the measurement date, but before the end of the Agency's reporting period.

Salaries and Benefits Payable – Payroll and related expenses for all licensed staff with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the Agency but will be spent in a succeeding fiscal year.

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Position representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

Fund Balances – In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Directors through resolution approved prior to yearend. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same action it employed to commit these amounts.

*Unassigned* – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

#### F. Subsequent Events

Subsequent events have been evaluated through December 12, 2016, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Cash and Pooled Investments

The Agency's deposits in banks at June 30, 2016, were entirely covered by Federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the Agency had the following investments:

Type	Amortized Cost
Wells Fargo Advantage 100% Treasury Money Market Fund	\$ 149,121

The Agency uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the Wells Fargo Advantage 100% Treasury Money Market Fund was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

Interest Rate Risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 157,212	\$ -	\$ -	\$ 157,212
Total capital assets not being depreciated	157,212	-	-	157,212
Capital assets being depreciated:				
Buildings and improvements	5,269,576	14,465	-	5,284,041
Furniture and equipment	1,383,860	80,403	-	1,464,263
Vehicles	99,411	24,704	19,657	104,458
Library books and films	2,120,367	9,173	979,071	1,150,469
Total capital assets being depreciated	8,873,214	128,745	998,728	8,003,231
Less accumulated depreciation for:				
Buildings and improvements	1,450,555	121,819	-	1,572,374
Furniture and equipment	911,861	93,967	-	1,005,828
Vehicles	94,411	3,130	18,657	78,884
Library books and films	1,561,038	24,867	734,303	851,602
	4,017,865	243,783	752,960	3,508,688
Total capital assets being depreciated, net	4,855,439	(115,038)	245,768	4,494,543
Governmental activities capital assets, net	\$ 5,012,561	\$ (115,038)	\$ 245,768	\$ 4,651,755

Depreciation expense was charged to the following functions:

Governmental activities:	
Student support services	\$ 41,062
General administration/building administration	68,956
Plant operations and maintenance	130,635
Central and other support services	3,130
Total depreciation expense - governmental activities	<u>\$ 243,783</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance End of Year</b>	<b>Due Within One Year</b>
Certificates of Participation	\$ 680,000	\$ -	\$ 125,000	\$ 555,000	\$ 125,000
Compensated absences	152,019	2,295	103,664	50,650	50,650
Early retirement obligation	64,049	387,185	44,844	406,390	91,564
Net pension liability	8,549,184	3,001,973	-	11,551,157	-
	<b>\$ 9,445,252</b>	<b>\$ 3,391,453</b>	<b>\$ 273,508</b>	<b>\$ 12,563,197</b>	<b>\$ 267,214</b>

#### Certificates of Participation:

The Agency has sold Certificates of Participation for the construction of the office facility in Pocahontas, Iowa, for a total of \$2,490,000. The Certificates of Participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of twenty years with an interest rate ranging from 3.5% to 4.35%. The Agency called \$800,000 of the Certificates of Participation on June 1, 2015 as per section 4.08 of the Trust Agreement dated as of October 1, 2005. The additional principal payment was applied to the called Certificates with maturity dates of 2025, 2024, 2023 and 2022 and the balance being applied to 2021. By taking this action, the Agency was able to save \$311,897 in future interest payments. The following is a schedule by year of the future minimum payments required:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 125,000	\$ 22,577	\$ 147,577
2018	135,000	17,577	152,577
2019	140,000	12,177	152,177
2020	155,000	6,859	161,859
<b>Total</b>	<b>\$ 555,000</b>	<b>\$ 59,190</b>	<b>\$ 614,190</b>

Payments on the Certificates of Participation for the Pocahontas facility for the year ended June 30, 2016, including interest totaled \$152,390.

#### Early Retirement Obligation:

The Agency offered a voluntary early retirement plan to its employees in 2015-2016.

At June 30, 2016, the Agency has obligations to 18 participants with a total liability of \$406,390. Actual early retirement expenditures for the year ended June 30, 2016 totaled \$44,844.



## NOTES TO FINANCIAL STATEMENTS

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### Note 5. Operating Leases

The Agency has leased various facilities within the area to support and house the different regions of the Agency. These leases have been classified as operating leases and accordingly, all rents are charged to expenditures as incurred. The leases expire between June 30, 2017 and March 31, 2022. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2016.

<b>Year Ending June 30,</b>	<b>Amount</b>
2017	\$ 35,320
2018	8,820
2019	8,820
2020	8,820
2021	8,820
Thereafter	<u>6,615</u>
	<u><u>\$ 77,215</u></u>

The total rental expenditures for the year ended June 30, 2016 for all operating leases, except those with terms of a month or less that were not renewed, was \$89,670.

### Note 6. Lease of Office Space

The Agency, as lessor, leases 55% of a building as office space to several entities. The lease terms expire in various years through 2024 and range from \$6,240 to \$30,000 per lease annually.

At June 30, 2016, future minimum lease payments receivable under noncancelable operating leases are as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2017	\$ 74,421
2018	38,180
2019	30,840
2020	16,014
2021	16,334
Thereafter	<u>49,656</u>
	<u><u>\$ 225,445</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan

**Plan Description:** IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits:** A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**Disability and Death Benefits:** A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plan (Continued)

Contributions: Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Agency contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Agency's contributions to IPERS for the year ended June 30, 2016 were \$1,435,703.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016, the Agency reported a liability of \$11,551,157 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the Agency's collective proportion was 0.233806%, which was an increase of 0.018239% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Agency recognized pension expense of \$1,308,699. At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 174,523	\$ -
Changes of assumptions	318,032	-
Net difference between projected and actual earnings on IPERS' investments	-	961,359
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	1,260,712	-
Agency contributions subsequent to the measurement date	1,435,703	-
	<u>\$ 3,188,970</u>	<u>\$ 961,359</u>

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued): \$1,435,703 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2017	\$ (1,266)
2018	(1,266)
2019	(1,266)
2020	733,641
2021	62,067
	<u>\$ 791,910</u>

There are no non-employer contributing entities at IPERS.

Actuarial Assumptions: The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership groups.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plan (Continued)

Actuarial Assumptions (continued): The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
Core plus fixed income	28 %	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity / debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	( 0.71 )
<b>TOTAL</b>	<b>100 %</b>	

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net pension liability	\$ 20,223,998	\$ 11,551,157	\$ 4,203,657

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

IPERS Fiduciary Net Position: Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS: At June 30, 2016, the Agency reported payables to IPERS of \$0 for legally required Agency contributions and \$0 for legally required employee contributions withheld from employee wages but not yet remitted to IPERS.

### Note 8. Other Postemployment Benefits (OPEB)

Plan Description: The Agency operates a single-employer health benefit plan that provides medical and prescription drug benefits for employees, retirees and their spouses. There are 253 active and 25 retired members in the plan. Participants must be age 55 or older at retirement.

The medical and prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy: The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation: The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual required contribution	\$ 163,000
Interest on net OPEB obligation	(17,000)
Adjustment to annual required contribution	24,000
Annual OPEB cost	<u>170,000</u>
Contributions made	<u>(204,000)</u>
Decrease in net OPEB obligation	(34,000)
Net OPEB obligation beginning of year	<u>(467,000)</u>
Net OPEB obligation end of year	<u>\$ (501,000)</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (continued): For the year ended June 30, 2016, the Agency contributed \$204,000 to the medical plan and plan members eligible for benefits contributed \$112,000, or 55.0% of the premium cost.

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 204,000	134.31 %	\$ (433,000)
2015	170,000	120.00	(467,000)
2016	170,000	120.00	(501,000)

Funded Status and Funding Progress: As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$1.251 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.251 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$14.712 million, and the ratio of the UAAL to covered payroll was 8.5%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the projected unit credit method was used. The actuarial assumptions include a 4.0% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate. An inflation rate of 0.0% is assumed for the purpose of this computation.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 8. Other Postemployment Benefits (OPEB) (Continued)**

Actuarial Methods and Assumptions (continued): Mortality rates are from the RP-2014 Group Annuity Mortality Table projected to 2030 using scale MP-2014, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014, and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$635 per month for retirees less than age 65 and \$635 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

### **Note 9. Risk Management**

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Agency has a partial self-funded health plan for its employees. The Agency assumes liability for the difference between a higher deductible and higher out-of-pocket maximum plan than the plan offered to the employees. The plan purchased by the Agency has a deductible and out-of-pocket maximum 2.5 times the plan offered to the employees. The Agency also self-funds the difference between the prescription benefit and the co-pay amount.

At June 30, 2016, the Agency's reserve was \$360,734.



## NOTES TO FINANCIAL STATEMENTS

### Note 10. Early Childhood Iowa Area Board

The Agency is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 2561 of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the Agency's financial statements as an Agency Fund because of the Agency's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2016 is as follows:

	Early Childhood	School Ready	Total
<b>Additions:</b>			
State of Iowa grants:			
Early childhood	\$ 60,007	\$ -	\$ 60,007
Family support and parent education	-	231,742	231,742
Preschool support for low-income families	-	101,751	101,751
Quality improvement	-	59,601	59,601
Allocation for administration	-	12,905	12,905
Other grant programs	-	24,318	24,318
<b>Total revenues</b>	<b>60,007</b>	<b>430,317</b>	<b>490,324</b>
<b>Deductions:</b>			
Program services:			
Early childhood	59,055	-	59,055
Family support and parent education	-	231,742	231,742
Preschool support for low-income families	-	104,165	104,165
Quality improvement	-	55,513	55,513
Other grant programs	-	48,210	48,210
<b>Total program services</b>	<b>59,055</b>	<b>439,630</b>	<b>498,685</b>
Administration	2,466	13,888	16,354
<b>Total expenditures</b>	<b>61,521</b>	<b>453,518</b>	<b>515,039</b>
<b>Change in fund balance</b>	<b>(1,514)</b>	<b>(23,201)</b>	<b>(24,715)</b>
Fund balances, beginning of year	4,407	55,290	59,697
Fund balances, end of year	\$ 2,893	\$ 32,089	\$ 34,982

## NOTES TO FINANCIAL STATEMENTS

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### **Note 11. Deficit Balance**

The Agency had a governmental activities deficit net position balance of \$2,555,982 at June 30, 2016, primarily due to the net pension liability.

### **Note 12. New Accounting Pronouncements**

The Agency adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
CHANGES IN BALANCES -- BUDGET AND ACTUAL --**

**ALL GOVERNMENTAL FUNDS**

**Required Supplementary Information**

**Year Ended June 30, 2016**

	<b>Governmental Fund Types Actual</b>	<b>Total Actual</b>
Revenues:		
Local sources	\$ 8,870,523	\$ 8,870,523
State sources	8,530,389	8,530,389
Federal sources	9,428,470	9,428,470
<b>Total revenues</b>	<b>26,829,382</b>	<b>26,829,382</b>
Expenditures/Expenses:		
Current:		
Instruction	1,174,573	1,174,573
Student support services	18,382,274	18,382,274
Instructional staff support services	2,233,592	2,233,592
General administration	738,372	738,372
Business administration	2,349,804	2,349,804
Plant operations and maintenance	642,464	642,464
Central and other support services	1,054,252	1,054,252
Debt service	152,390	152,390
<b>Total expenditures/expenses</b>	<b>26,727,721</b>	<b>26,727,721</b>
Excess (deficiency) of revenues over (under) expenditures/expenses	101,661	101,661
Balance, beginning of year	2,525,188	2,525,188
Balance, end of year	<b>\$ 2,626,849</b>	<b>\$ 2,626,849</b>

See accompanying Independent Auditor's Report.

Budget		Final to Actual Variance Favorable (Unfavorable)
Original	Final	
\$ 8,315,486	\$ 8,299,890	\$ 570,633
9,609,898	8,530,804	(415)
8,253,343	9,448,548	(20,078)
26,178,727	26,279,242	550,140
1,215,000	1,056,221	(118,352)
17,859,606	18,336,052	(46,222)
2,376,231	1,996,398	(237,194)
1,011,908	940,974	202,602
2,266,351	2,081,045	(268,759)
643,483	726,300	83,836
1,565,579	1,027,690	(26,562)
152,390	152,390	-
27,090,548	26,317,070	(410,651)
(911,821)	(37,828)	139,489
2,627,437	2,525,188	-
\$ 1,715,616	\$ 2,487,360	\$ 139,489



## **PRAIRIE LAKES AREA EDUCATION AGENCY 8**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING June 30, 2016**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles for all funds except Agency Funds. Although the budget document presents function expenditures/expenses by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

For the year ended June 30, 2016, the Agency's expenditures/expenses exceeded the approved budget.





**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
Iowa Public Employees' Retirement System  
For the Last Two Years \*  
(In Thousands)**

**Required Supplementary Information**

	<b>2016</b>	<b>2015</b>
Agency's portion of the net pension liability	<b>0.233806%</b>	0.215567%
Agency's proportionate share of the net pension liability	<b>\$ 11,551</b>	<b>\$ 8,549</b>
Agency's covered-employee payroll	<b>\$ 16,183</b>	<b>\$ 14,295</b>
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<b>71.38%</b>	59.80%
IPERS' net position as a percentage of the total pension liability	<b>85.19%</b>	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying Independent Auditor's Report.

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**SCHEDULE OF AGENCY CONTRIBUTIONS**

**Iowa Public Employees' Retirement System**

**Last Ten Fiscal Years**

**(In Thousands)**

**Required Supplementary Information**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Statutorily required contribution	\$ 1,436	\$ 1,445	\$ 1,277	\$ 1,142
Contributions in relation to the statutorily required contribution	(1,436)	(1,445)	(1,277)	(1,142)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Agency's covered-employee payroll	\$ 16,077	\$ 16,183	\$ 14,295	\$ 13,169
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying Independent Auditor's Report.

2012		2011		2010		2009		2008		2007	
\$	1,015	\$	941	\$	930	\$	811	\$	838	\$	725
(1,015)		(941)		(930)		(811)		(838)		(725)	
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	12,582	\$	13,545	\$	13,990	\$	12,778	\$	13,853	\$	12,612
8.07%		6.95%		6.65%		6.35%		6.05%		5.75%	



## PRAIRIE LAKES AREA EDUCATION AGENCY 8

### Notes to Required Supplementary Information – Pension Liability June 30, 2016

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#### *Changes of benefit terms:*

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3.0% per year measured from the member's first unreduced retirement age to a 6.0% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

#### *Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual contribution rate in the calculation of the UAL amortization payments.



**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN (In Thousands)  
Required Supplementary Information**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
2011	July 1, 2010	\$ -	\$ 2,352	\$ 2,352	0.00	\$ 13,254	17.75%
2012	July 1, 2010	-	2,352	2,352	0.00	12,483	18.84
2013	July 1, 2012	-	1,629	1,629	0.00	13,126	12.41
2014	July 1, 2012	-	1,629	1,629	0.00	13,908	11.71
2015	July 1, 2014	-	1,251	1,251	0.00	14,944	8.37
<b>2016</b>	<b>July 1, 2014</b>	<b>-</b>	<b>1,251</b>	<b>1,251</b>	<b>0.00</b>	<b>14,712</b>	<b>8.50</b>

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost, Net OPEB Obligation, funded status and funding progress.

See accompanying Independent Auditor's Report.





## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

Project Title	CFDA Number	Pass-through Grantor's Number	Expenditures
<b>Indirect:</b>			
<b>U. S. Department of Education:</b>			
Passed-through Iowa Department of Education:			
Special Education Cluster (IDEA):			
Special Education - Grants to States:			
Early Childhood Education for the Handicapped	84.027	131408	\$ 6,964,586
Early Childhood Education LEA Flow Through	84.027	131408	1,522,992
Parent Educator Connection Project	84.027	4K7408	96,124
Iowa Core Significant Disabilities Team	84.027	046715	570
Iowa SLP Leadership Grant	84.027	004615	4,279
Special Education Cluster - Preschool Grants			
(IDEA Preschool) Section 619, Ages 3-5:			
Part B - Section 619, Ages 3-5	84.173	13619-08	254,030
Special Education - Grants for Infants and Families			
with Disabilities - Part C:			
Part C	84.181	C1314-08	204,209
Department of Education Grants:			
IQPPS System of Support for Continuous Improvement	84.173	Q16-008	33,041
AEA occupational Therapy Leadership Chair	84.027	007116	15,988
AEA Leadership Work Teams	84.027	046916	5,179
Miscellaneous 94-142:			
Title III ELL	84.365	15ELA-03	287,262
ELL Leadership Academy	84.365	028416	15,000
<b>U. S. Department of Health and Human Services:</b>			
Passed-Through Iowa Department of Human Services:			
Medical Assistance Program Title 19 Medicaid			
Reimbursement:			
Part B - Medical Assistance Program	93.778		2,729
Part C - Infants and Toddlers Reimbursement	93.778		22,481
<b>Total expenditures of federal awards</b>			<b>\$ 9,428,470</b>

(Continued on next page)

**Schedule 4**

**Modified Accrual Basis  
Years Ended June 30,**

2012	2011	2010	2009	2008	2007
\$ 7,508,883	\$ 7,430,401	\$ 7,214,831	\$ 7,255,444	\$ 6,997,952	\$ 6,592,704
7,256,771	8,662,465	7,898,189	8,816,888	8,029,311	6,958,751
7,815,655	9,729,231	14,630,063	10,430,610	9,675,510	9,890,074
\$ 22,581,309	\$ 25,822,097	\$ 29,743,083	\$ 26,502,942	\$ 24,702,773	\$ 23,441,529
\$ 480,958	\$ 656,783	\$ 629,039	\$ 598,745	\$ 600,462	\$ 649,697
9,889,858	10,216,925	14,744,364	11,653,983	16,383,637	13,731,170
7,640,591	7,835,633	7,934,751	8,852,222	2,653,162	3,797,579
848,990	811,244	840,582	851,999	773,114	831,913
1,218,065	1,018,588	934,201	1,024,100	733,729	914,375
550,510	894,022	886,035	609,018	671,640	841,481
2,138,593	2,343,009	2,568,216	2,550,666	2,579,110	2,472,812
-	-	-	-	60	308,677
184,305	312,055	242,380	280,624	278,161	886,673
\$ 22,951,870	\$ 24,088,259	\$ 28,779,568	\$ 26,421,357	\$ 24,673,075	\$ 24,434,377

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES  
BY FUNCTION -- ALL GOVERNMENTAL FUNDS  
For the Last Ten Years**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Revenues:				
Local	\$ 8,870,523	\$ 8,456,982	\$ 8,927,821	\$ 7,503,344
State	8,530,389	8,409,177	7,994,815	7,517,247
Federal	9,428,470	9,491,846	8,236,347	8,324,354
<b>Total</b>	<b>\$ 26,829,382</b>	<b>\$ 26,358,005</b>	<b>\$ 25,158,983</b>	<b>\$ 23,344,945</b>
Expenditures:				
Current:				
Instruction	\$ 1,174,573	\$ 1,090,824	\$ 578,952	\$ 502,061
Student support services	18,382,274	18,734,907	18,206,259	16,398,182
Instructional staff support services	2,233,592	2,061,800	2,290,147	2,075,943
General administration	738,372	971,800	975,125	848,890
Business administration	2,349,804	1,760,604	1,508,670	1,467,786
Plant operations and maintenance	642,464	750,094	620,093	625,547
Central and other support services	1,054,252	1,624,239	2,167,518	2,146,578
Facilities acquisition and construction	-	-	-	-
Debt service	152,390	151,890	985,968	185,368
<b>Total</b>	<b>\$ 26,727,721</b>	<b>\$ 27,146,158</b>	<b>\$ 27,332,732</b>	<b>\$ 24,250,355</b>

See accompanying Independent Auditor's Report.

**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUNDS**

**Year Ended June 30, 2016**

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance End of Year</b>
<b>Assets:</b>				
Cash	\$ 59,697	\$ 490,324	\$ 515,039	\$ 34,982
<b>Total assets</b>	<b>\$ 59,697</b>	<b>\$ 490,324</b>	<b>\$ 515,039</b>	<b>\$ 34,982</b>
<b>Liabilities:</b>				
Due to other governments	\$ 59,697	\$ 490,324	\$ 515,039	\$ 34,982
<b>Total liabilities</b>	<b>\$ 59,697</b>	<b>\$ 490,324</b>	<b>\$ 515,039</b>	<b>\$ 34,982</b>

See accompanying Independent Auditor's Report.

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**Schedule 2**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND  
Year Ended June 30, 2016**

	<u>Debt Service</u>
Revenues:	
Local sources	<u>\$          1</u>
<b>Total revenues</b>	<u>          1</u>
Expenditures:	
Debt service	<u>152,390</u>
<b>Total expenditures</b>	<u>152,390</u>
(Deficiency) of revenues (under) expenditures	(152,389)
Other financing sources:	
Transfers in	<u>152,388</u>
Change in fund balance	(1)
Fund balances beginning of year	<u>149,122</u>
Fund balances end of year	<u><u>\$    149,121</u></u>

See accompanying Independent Auditor's Report.

**PRAIRIE LAKES AREA EDUCATION AGENCY 8****Schedule 1****BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND  
Year Ended June 30, 2016**

	<u>Debt Service</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 149,121</u>
<b>Total assets</b>	<u><u>\$ 149,121</u></u>
<b>Liabilities and Fund Balances</b>	
Liabilities:	<u>\$ -</u>
<b>Total liabilities</b>	<u><u>-</u></u>
<b>Fund balances:</b>	
Restricted for:	
Debt service	<u>149,121</u>
<b>Total fund balances</b>	<u><u>149,121</u></u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 149,121</u></u>

See accompanying Independent Auditor's Report.



## **SUPPLEMENTARY INFORMATION**





**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2015**

**Basis of Presentation:** The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Prairie Lakes Area Education Agency 8 under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Prairie Lakes Area Education Agency 8, it is not intended to and does not present the financial position, changes in financial position or cash flows of Prairie Lakes Area Education Agency 8.

**Summary of Significant Accounting Policies:** Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Prairie Lakes Area Education Agency 8 has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying Independent Auditor's Report.



**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**





**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report  
on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance  
with Government Auditing Standards**

To the Board of Directors of  
Prairie Lakes Area Education Agency 8  
Fort Dodge, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Prairie Lakes Area Education Agency 8 as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 12, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Prairie Lakes Area Education Agency 8's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prairie Lakes Area Education Agency 8's internal control. Accordingly, we do not express an opinion on the effectiveness of Prairie Lakes Area Education Agency 8's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.





### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prairie Lakes Area Education Agency 8's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Prairie Lakes Area Education Agency 8's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Prairie Lakes Area Education Agency 8. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Prairie Lakes Area Education Agency 8's Responses to Findings

Prairie Lakes Area Education Agency 8's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Prairie Lakes Area Education Agency 8's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Schnew & Company, LLP*

Fort Dodge, Iowa  
December 12, 2016



**PRAIRIE LAKES AREA EDUCATION AGENCY 8**



**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**





**SCHNURR & COMPANY, LLP**  
**Certified Public Accountants and Consultants**

**Independent Auditor's Report  
on Compliance for Each Major Federal Program  
and on Internal Control over Compliance  
Required by the Uniform Guidance**

To the Board of Directors of  
Prairie Lakes Area Education Agency 8  
Fort Dodge, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Prairie Lakes Area Education Agency 8's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Prairie Lakes Area Education Agency 8's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Prairie Lakes Area Education Agency 8's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Prairie Lakes Area Education Agency 8's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Prairie Lakes Area Education Agency 8's compliance.





### Opinion on Each Major Federal Program

In our opinion, Prairie Lakes Area Education Agency 8 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### Report on Internal Control Over Compliance

The management of Prairie Lakes Area Education Agency 8 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Prairie Lakes Area Education Agency 8's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Prairie Lakes Area Education Agency 8's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Prairie Lakes Area Education Agency 8's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Prairie Lakes Area Education Agency 8's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Schnur & Company, LLP*

Fort Dodge, Iowa  
December 12, 2016



## **PRAIRIE LAKES AREA EDUCATION AGENCY 8**

### **Schedule of Findings and Questioned Costs Year ended June 30, 2016**

#### **Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over the major federal award programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) Major programs were as follows:
  - ❖ Special Education Cluster (IDEA):
    - CFDA Number 84.027 – Special Education - Grants to States
    - CFDA Number 84.173 – Special Education - Preschool Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Prairie Lakes Area Education Agency 8 qualified as a low-risk auditee.

#### **Part II: Findings Related to the Financial Statements:**

##### **Material Weakness:**

No matters were noted.

##### **Instances of Non-Compliance:**

No matters were noted.

**Schedule of Findings and Questioned Costs  
Year ended June 30, 2016**

**Part III: Findings and Questioned Costs For Federal Awards:**

**Instances of Non-Compliance:**

No matters were noted.

**Material Weakness:**

No matters were noted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-16 Certified Budget – Expenditures during the year ended June 30, 2016 exceeded the amount budgeted.

Recommendation – The certified budget should have been amended by sufficient amounts in accordance with the Code of Iowa before expenditures were allowed to exceed the budget.

Agency Response – The Agency is limited in being able to amend their budget only once a year as the Department of Education only recognizes an amendment from the Agency at the time of the filing of the Agency's next year's budget. The Agency did amend their 2015-2016 budget. The Agency will attempt to better predict their expenditures to prevent this from happening in the future.

Conclusion – Response accepted.

IV-B-16 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-16 Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

IV-D-16 Business Transactions – No business transactions between the Agency and Agency officials or employees were noted.

IV-E-16 Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-16 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-16 Deposits and Investments – No instances of non-compliance with the deposits and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.

**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2016**

**Part IV: Other Findings Related to Required Statutory Reporting (Continued):**

- IV-H-16 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-I-16 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-J-16 Early Childhood Iowa Area Board – Prairie Lakes Area Education Agency 8 is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the Agency's financial statements as an Agency Fund because of the Agency's fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of audit procedures performed.

